tariff unveiled

Seamus Ward outlines the NHS England and Monitor proposals for the national tariff payment system in 2015/16

Several themes run through the national tariff consultation document, including value for money, changes to the marginal rate emergency tariff, support for new ways of delivering and paying for new models of care and an emphasis on parity of esteem for mental health services – perhaps a reaction to criticism levelled at the lower tariff for mental health and community providers in 2014/15.

The consultation document, *2015/16 national tariff payment system: a consultation notice*, proposes a **single efficiency factor** of 3.8% for 2015/16. Monitor and NHS England accepted this was challenging. Though lower than past years, analysis of acute provider data indicated it was appropriate and achievable.

Unlike 2014/15, there will be a common cost uplift. Excluding clinical negligence scheme for trusts (CNST) costs, **cost uplifts** will be 1.9% on average. While other cost increases are applied across all healthcare resource groups, CNST costs are different for each HRG sub-chapter and for the maternity delivery tariff.

When offset by the efficiency requirement, this means, on average, prices will be 1.9% lower than in 2014/15. With the overall impact of CNST costs factored in, national prices will be, on average, 0.8% lower than in 2014/15.

Monitor and NHS England signalled a change in the **marginal rate for emergency admissions** to ensure risk is shared equitably. Financial risk above a baseline budget (2008/09 value, adjusted for 2015/16 national prices) will be shared 50:50 between commissioners and providers to further incentivise collaboration on minimising activity growth.

NHS England and Monitor said this would help some small hospitals – where emergency care is a significant proportion of their activity – address financial challenges.

The document proposes the risks associated with **specialised services expenditure** above an agreed baseline will be shared equally between commissioners and providers. This will be enforced through a new national variation and local price-setting rule and will cover all prescribed specialised services, including high-cost drugs and devices. The consultation said the rule is designed to encourage commissioners and providers to work together to ensure activity growth represents value for money. The baseline will be derived from the 2014/15 expected annual contract value for the relevant provider, adjusted, for example, for 2015/16 prices and to deduct factors such as non-recurrent payments.

There will also be a new **best practice tariff** (BPT) for heart failure and more ambitious thresholds for four existing BPTs.

Support for change

Commissioners and providers will be supported to develop new **models of care** at a faster pace. Monitor and NHS England will build on the introduction in 2014/15 of local variations to allow commissioners and providers to explore new ways of providing care and payment methods. They have published examples demonstrating how local payment arrangements can be used to develop innovative service models.

Some of the new models are for mental health services. They hope these and updated guidance, which will make clear that **adult mental healthcare clusters** are the default payment arrangement, will eliminate 'unaccountable block contracts'.

NHS England recently announced an extra £80m to support access standards in mental health services in 2015/16. Half of this funding is to be used to ensure 50% of patients experiencing a first episode of psychosis start NICE-approved treatment within two weeks.

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David Bennett, Monitor

NHS England estimates the access initiative is the equivalent of a 15% increase in funding for psychosis services nationally. 'This uplift will contribute to ensuring parity of esteem between physical and mental health services,' the consultation says.

Currencies with national prices, including admitted patient care, A&E and some outpatient procedures, are based on the HRG4 2011/12 reference cost design. Refinements to reflect clinical practice have led to about 200 new or revised HRGs with national prices.

Other changes include the following:

- The national variation that allowed the risk associated with the maternity pathway payment system to be shared has been removed.
- The national variations for diagnostic imaging in outpatients, chemotherapy delivery and external beam radiotherapy have also been removed.
- The market forces factor indices remain unchanged, except where organisations are merging or undergoing other restructuring.
- The level and coverage of top-up payments for specialised services are unchanged. However, specialised services top-ups are being reviewed in light of recent commissioning changes and the possibility of adopting HRG4+ in future years. This is to be completed early in 2015 to inform the 2016/17 tariff.

Monitor chief executive David Bennett says the tariff balanced the need for providers to maintain quality services and the ability of commissioners to pay for them.

'The national tariff itself is not designed to balance the books, but we are doing as much as we can through the payment system to support this objective. For example, the efficiency factor is a stretch target that reflects our expectation that all parts of the NHS will have to make an exceptional effort in 2015/16,' he says.

NHS England chief executive Simon Stevens says the tariff took steps towards implementing the *Five-year forward view* by rebalancing the payment system to support smaller and middle-sized hospitals; balancing risk between providers and commissioners; supporting parity of esteem for mental health; and signalling a willingness to work with local areas that want to test new payment models.